

## Press Release

### Punjab State Power Corporation Limited

August 05, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10648.44	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	623.71	-	ACUITE A3+   Assigned
Total Outstanding Quantum (Rs. Cr)	11272.15	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs. 11272.15 crore bank facilities of Punjab State Power Corporation Limited (PSPCL). The outlook is '**Stable**'.

### Rationale

The rating assignment factors in the company's importance for Government of Punjab and the company being 100% subsidiary of the same, improved operational performance of the company in FY22 vis-a-vis FY21. The company has experienced and well qualified set of management and the company will be benefitted by the same. The above strengths are underpinned due to company's poor liquidity position and moderate financial risk profile. Further the rating is constrained due to multiple audit qualifications made by the auditors.

### About the Company

Govt. of Punjab vide its notification dated April 16, 2010 unbundled Punjab State Electricity Board into two companies viz Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited. PSPCL is 100% subsidiary of Government of Punjab and is engaged in generation and distribution of power in the state of Punjab. PSPCL generates power through its Thermal and Hydel Power Plants and gets power as per long term PPAs.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of PSPCL to arrive at the rating and further adopted a notch up framework to take into account the significant support being provided by the government of Punjab. We believe that this company is very strategically important for the government in supporting the infrastructure of the state apart from that the latter having a moral obligation to support a 100% owned entity.

### Key Rating Drivers

## Strengths

### Strategically important entity for Government of Punjab

PSPCL is a strategically important entity and forms the backbone of the power sector infrastructure of state. The company is in power generation and Distribution Company in Punjab. PSPCL owns thermal and hydel power plants. Further, state Government of Punjab has also extended irrevocable and unconditional guarantee for the entire bank facilities of the company. Hence, support from GOP is crucial for rating and hence credit profile of state of Punjab is of key importance.

### Improvement in Operating Performance

Operating income of company is projected Rs. 35922.14 crore for FY 22 against Rs. 33281.88 crore in FY 21. (Audited). Operating income in FY 21 was lower than its previous level in FY 2020 due to lower demand in industry on account of covid lockdown restrictions.

### Comfortable leverage position

Firm has moderate financial risk profile marked by healthy net worth and comfortable gearing. Firm's net worth stood at Rs. 27723.21 Cr as on 31st March 2022(Proj.) as against Rs. 27376.78 Cr as on 31st March 2021. Gearing levels (debt-to-equity) of the company stood at 0.57 times in FY21 and is expected to remain approximately at the same level in coming years.

## Weaknesses

### Decline in Profitability

EBITDA Margin is projected at 6.89% for FY 22 against 10.33% in FY 21 (Audited) and PAT Margin is projected at 0.96% for FY22 against 4.35% in FY 21 (Audited). PAT Margin reduced due to drastic fall in Other Income Rs. 639.00 in FY 22 in comparison to Rs. 986.07 in FY 21 (Audited)

### Liquidity

Liquidity Company's liquidity is poor marked by its net cash accruals to its maturing debt obligations. In FY 2022, the expected cash accruals are 1647.18 Cr against 2228.54 debt obligation. Going forward the net cash accrual is expected to be Rs. 1655.45 crores for FY 2022-23 against CPLTD of 2338.36 Cr in FY 2022. Expected Net cash Accruals to be Rs. 1608.87 Crores for FY 2024 against CPLTD of Rs. 2042.02 of FY 2023.

### Weak Debt Protection Matrix

Debt service coverage ratio reduced to 0.84 times in FY2022 (proj.) from 1.30 times in FY 2021 (Audited). Total outside liabilities to total net worth (TOL/TNW) stood at 1.11 times in FY21 and is expected to remain approximately at the same level in coming years. However, Debt/EBITDA stood at 5.02 times as on 31 st March 2022(Prov.) as against 3.53 times as on 31 st March 2021.

### Increase in AT&C losses

PSPCL's AT&C losses stood at 19.61% in FY22 as against 18.41% in FY21.

## Rating Sensitivities

1. Significant improvement in the top line of the company resulting in to substantial improvement in the profitability
2. Timely and adequate Support from Government of Punjab
3. Efficient Bill and Subsidy collection
4. Reduction in AT&C Losses.

## Material covenants

None

## Liquidity Position

### Poor

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forward the net cash accrual is expected to be Rs. 1655.45 crores for FY 2022-23 against CPLTD of 2338.36 Cr in FY 2022. Expected Net cash Accruals to be Rs. 1608.87 Crores for FY 2024 against CPLTD of Rs. 2042.02 of FY 2023. Further the current ratio of the company stood at 1.19 times in FY21 and is expected to remain approximately at the same level in coming years. The company's average bank limit utilization also remained at a higher level of 86.80% in past 12 months ending 31 st March 2022.

### Outlook: Stable

Acuite believes that PSPCL will maintain a stable outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the Firm registers healthy growth in revenue while sustaining profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	33281.88	32713.05
PAT	Rs. Cr.	1446.10	(1158.21)
PAT Margin	(%)	4.35	(3.54)
Total Debt/Tangible Net Worth	Times	0.57	0.63
PBDIT/Interest	Times	2.61	1.05

### Status of non-cooperation with previous CRA (if applicable)

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Group And Parent Support: <https://www.acuite.in/view-rating-criteria-47.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	2.11	ACUITE A3+   Assigned
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.05	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	147.38	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	169.27	ACUITE BBB-   Stable   Assigned

State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.57	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	473.65	ACUITE A3+   Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	147.95	ACUITE A3+   Assigned
Punjab and Sind Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	131.82	ACUITE BBB-   Stable   Assigned
Indian Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	100.20	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	784.89	ACUITE BBB-   Stable   Assigned
UCO Bank	Not Applicable	Term Loan	Not available	Not available	Not available	133.93	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Term Loan	Not available	Not available	Not available	750.00	ACUITE BBB-   Stable   Assigned
Central Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	750.00	ACUITE BBB-   Stable   Assigned
Indian Bank	Not Applicable	Term Loan	Not available	Not available	Not available	648.10	ACUITE BBB-   Stable   Assigned
							Assigned
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	687.79	ACUITE BBB-   Stable   Assigned
Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	666.92	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	2014.37	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	859.44	ACUITE BBB-   Stable   Assigned

Punjab and Sind Bank	Not Applicable	Term Loan	Not available	Not available	Not available	300.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	660.12	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	600.00	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	450.00	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	500.00	ACUITE BBB-   Stable   Assigned
Indian Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	149.59	ACUITE BBB-   Stable   Assigned
Indian Overseas Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	120.00	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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